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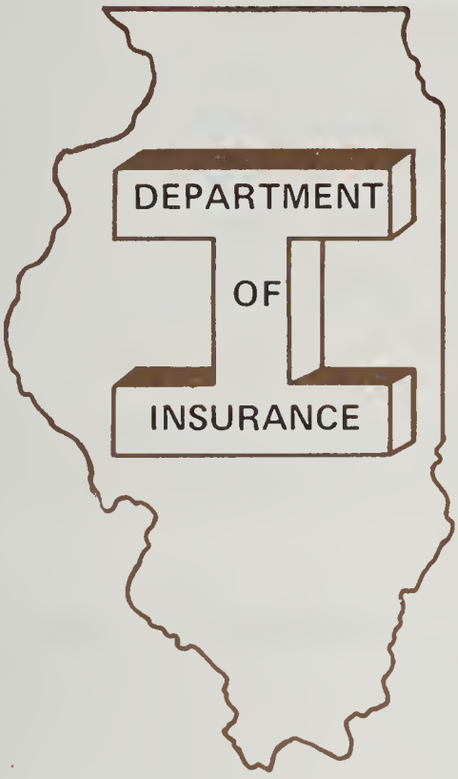

What You Should Know about Homeowners Insurance

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1. Basic Protection

Homeowners insurance policies sold in Illinois offer you three basic kinds of protection:

Property coverage for physical damage to your house, your personal property, or unattached buildings on your property. Property coverage will also reimburse you for additional living expenses you may have when your house cannot be occupied because of covered damage.

Liability coverage when you or members of your family are legally responsible for bodily injury or damage to property of other people. The policy will pay for the damages up to the liability limit and will also pay for a lawyer to defend you, if necessary.

Medical payments coverage for injury to another person caused by you, a member of your family, or your pets even if there is no legal responsibility for the accident.

2. Property Coverage

Property coverage is the most complex part of a homeowners policy.

Most companies sell five general types of property coverage—four for homeowners and one for tenants. Essentially, each policy form offers coverage against more and different risks and perils than the preceding forms. A few of the differences between these forms are shown in the following charts:

Homeowners Basic Form (Form 1)

Covers your house, unattached buildings on your property, personal property, and additional living expense, against loss by:

- Fire or lightning
- Removal of damaged property
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Vandalism or malicious mischief
- Vehicles or aircraft
- Smoke
- Breakage of glass
- Theft

Homeowners Broad Form (Form 2)

Covers your house, unattached buildings on your property, personal property, and additional living expense against loss by all perils covered under Form 1, **plus**:

- Building collapse
- Freezing of or accidental discharge of water or steam from within plumbing, heating, air-conditioning systems and domestic appliances
- Falling objects
- Weight of ice, snow or sleet
- Rupture or bursting of steam or hot water heating systems

Homeowners Special Form (Form 3)

Covers your house and unattached buildings for all losses except certain specified perils, such as earthquake and flood.

Covers damage to your personal property caused by any of the perils covered by Form 2.

Homeowners Comprehensive Form (Form 5)

Covers your house, unattached buildings, and personal property for all losses except certain specified perils such as earthquake and flood.

Tenant Form (Form 4)

Covers your personal property for all of the perils covered under Form 2.

3. Optional Coverages

In addition to basic coverage you can buy optional coverage for an extra premium:

Earthquake to cover damage to your house or contents.

Mine Subsidence to cover damage to your house caused by a coal mine cave-in. If you live in one of the Illinois counties having more than 1% of the land undermined, this coverage will automatically be included in your policy unless you reject it in writing.

Replacement Cost Coverage to settle claims on your house or contents with no deduction for depreciation. In order to obtain this protection on your house, you will be required to insure it at 100% of its value.

Scheduled Personal Property Coverage to broaden coverage and increase the amount of insurance for items such as jewelry, furs, silverware and guns. Since coverage on this type of property is limited in the basic homeowners contract, you should check your policy for the amount of coverage on any valuable items you may own.

Flood to protect your property against flood damage. This insurance is available under a Federal program only in qualifying areas.

4. Lowering Your Cost

To secure the best insurance at the lowest rates available you should:

- Maintain good housekeeping habits. Keep house clear of accumulated trash. Make sure there is no faulty wiring.

- Ask your company about discounts. Some companies offer a non-smokers deduction and most will lower your premium if your home has approved fire and burglar alarm systems.

- If you can afford a higher deductible, premiums can be lowered.

5. Determining the Amount to Buy

The amount of insurance you should carry on your house is at least 80% of the cost to replace it. If you have even a partial loss and do not carry this much coverage, your claim will not be fully covered. You will be required to pay for any depreciation of the damaged property.

You should check with your agent regularly to see if the amount of coverage you have is enough for most kinds of losses. If you've made any home improvements or acquired any new personal possessions which have increased the value of your property, you should also increase the amount of your insurance.

You should keep in mind that if you are underinsured your out-of-pocket expenses will be greater in the event of a loss. With today's inflation rate underinsurance is a constant danger.

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6. Household Inventory

By keeping a complete list of the important possessions in your home and the original cost of each item (including receipts, if possible), you can immediately determine what has been lost in a fire, or stolen by a burglar, and thus make a much more accurate claim to the insurance company. It is also a good idea to take photographs of the interior of your home or important property to support a claim in event of a loss. You should keep a copy of your inventory list and pictures at a relative's home or in a bank safe deposit box.

7. Choosing Your Policy

Your home is usually your largest single investment. Given the costs of construction and financing, your home is also an investment that you will want to fully protect with a sound insurance program.

Before you make a final decision on the policy that is best for you, you should **talk to several companies**. Be sure that you **compare the same coverages** because policy forms do vary from company to company.

Consider the **type of service** a company offers in addition to the premium you'll pay. Find out what steps you must follow to file a claim.

If you decide to change companies, get a firm commitment from the new company before you cancel your present coverage. **Recommendations** from **family and friends** are helpful when selecting an insurance company or agent.

A final note. If you are unable to purchase homeowners insurance, you might be eligible to obtain a homeowners policy from the Illinois FAIR Plan. Your insurance producer can tell you if you are eligible for the FAIR Plan and what the cost would be.